

Consultation Response

Water Industry Commission for Scotland:
Draft Determination of Charges 2021-27
November 2020



Scottish
Environment
LINK

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. This response has been prepared by Scottish Environment LINK's Freshwater Group.

Introduction

We are pleased to be able to comment on an important matter of public policy which seeks to fund the investment needs of Scottish Water for the coming 6-year period. We note however that this is the first 6 years of a longer-term strategy that has milestones and targets running until to 2040.

This is one of the first major long-term public investment strategies issued since the declaration of a climate emergency by the First Minister, and it is important it is assessed in conjunction with the need for significant societal adjustments in behaviours to both mitigate and adapt to climate change. Any strategy that is to be relevant to the needs of our environment also needs to address the health of our natural water resources, rivers and seas and also contribute to building natural capital in a species rich and bio-diverse country. This will necessarily involve both managing water catchments, the source of raw waters for public and nature's use, and securing appropriate support for mitigation and adaptation in the face of predicted climate change over the next 20 years.

We have noted the Draft Determination builds out of earlier Decision Papers by the Water Industry Commission concluding with final Decision Papers on Asset Replacement and Prospects for Prices. However it is not clear to us if measures, both regulatory and financial are in place to build partnerships better placed to address the ongoing, (and predicted to get worse) deterioration of catchments, that affects water quality and quantity, and thus biodiversity as well as economic outcomes and wellbeing. We are aware that in England Ofwat has encouraged investment by water companies in these catchment improvement measures, and we seek assurance that this is also the case in Scotland. It is hard for us to see if this is the case, and if so what investment will occur in the six year period and beyond.

High-level observations:

- LINK members note that the Draft Determination is designed to provide the resources to move toward doubling the rate of investment on asset health. We assume this covers pipe networks, water treatment works and sewage treatment systems amongst others.
- LINK members note the references to the investment plans supporting a welcome move by Scottish Water to achieve net zero by 2040. However, we note that the private water companies in England have just announced their intention to meet net zero by 2030 and are doing so in circumstances where water charges in England are not planned to rise in real terms and investment in 'natural solutions' to meet and mitigate the challenges from climate change are core to company strategies.
- LINK members welcome the recognition in funding of better stewardship of the land assets held by Scottish Water for biodiversity conservation, quiet access and enjoyment, and supporting communities. Understanding the condition and natural attributes of Scottish Water's land assets will be a pre-requisite for planning investment in those assets that builds natural capital and promotes biodiversity. Delivering these ambitions provides opportunities



for Scottish water to work in partnership with NGOs and communities. We are aware Scottish Water holds several important protected sites listed as SSSI under Scottish legislation, but a number of these are not in Favourable Conservation Status. Investment to address this is a statutory requirement. Please can you confirm this will be included in the final determination?

- LINK members welcome references to improvements to the state of fresh water, riparian and coastal habitats by investment in waste-water treatment discharges. We note however that Nature Scot has recently reported that important Freshwater habitats in Scotland are not in good condition and would expect Scottish Water to contribute towards addressing this in the round, in partnership with others, and not just through investment in waste-water treatment. Catchment health should be an objective for Scottish Water as this helps manage and mitigate surface water flooding, helps prevent silt run off, and contributes towards raw water quality - and aids biodiversity recovery.

However, we also note that:

- Doubling the consumption of capital resources by building significant new assets and the more ready replacement of existing assets (rather than taking a repurposing circular economy approach) will inevitably accelerate the rate of consumption of the planet's resources and cause increased emissions.
- It is planned that such investment should be net zero in emissions when assessed over the whole life of the asset. With many assets having potentially long lives extending beyond 2040 the challenge to Scottish Water in achieving net zero across all its activities including investment activity is therefore very significant. It is not clear whether this will in fact be achievable by 2040 and thus the investment strategy risks adding to harmful emissions in the shorter term, at a time when the need to address emissions is immediate and urgent.
- While there is emphasis on an increased rate of asset replacement, there is little or no emphasis on the need to significantly extend asset lives and reduce maintenance needs over time in order to minimise the production of emissions.
- There is little emphasis on investing significantly in natural processes to deliver improved water quality and quantity, and waste-water management over conventional asset investment in 'hard' infrastructure. These are serious omissions, and a missed opportunity to restore wetlands, improve river quality, improve beaches and slow and reverse the loss of nature, whilst saving money.
- Furthermore there is no apparent strategy to help businesses, or householders to avoid the use of high-cost treated water (which consumes energy adding to emissions) for non-drinking water purposes (watering lawns, washing cars, flushing toilets, etc). This looks to be an oversight and runs counter to sustainability principles.
- If we have understood the draft documentation correctly, it would appear that the entire cost of the investment, apart from a reducing proportion of government borrowing over the period up to 2040, will be met by water charge payers at the cost of rapidly increasing charges. As such this is in marked contrast to many other sectors where Governments are increasing their investment to help transition to a low carbon economy.
- The question whether it should be water consumers alone that are required to meet these costs and what the role of taxpayers could be in sharing the cost burden does not appear to have been considered.

We conclude that while there are many welcome aspects of the strategy that the Draft Determination seeks to finance, it is not clear that this is a strategy suitable in all respects for a climate challenged world over one which would seek as a priority to extend asset lives, and emphasise the need for



innovation in service delivery and design, in order to minimise the need for the greater consumption of capital/resources, and seek a more circular approach.

There is a danger that significantly increased charges to deliver the finance necessary to replace assets and build a way to a net zero approach, may in fact avoid the need to face up to more challenging questions that would provide for more long-term environmental sustainability and deliver even greater benefits to communities, the natural environment and consumers.

Finally, as noted earlier, private water companies in England have just announced their intention to meet net zero by 2030 and are doing so in circumstances where water charges in England are not planned to rise in real terms and investment in 'natural solutions' to meet and mitigate the challenges from climate change are core to company strategies. Indeed, the launch featured the involvement of environmental NGOs, some members of Scottish Environment LINK, who showcased partnership land management programmes jointly funded by water companies, DEFRA and the charities themselves. It seems Scotland is a long way from this progressive position.

This response is supported by the following LINK member organisations:

- Badenoch and Strathspey Conservation Group
- Buglife
- Fidra
- Froglife
- Scottish Wild Land Group
- Scottish Wildlife Trust

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